

Delaware Renewable Energy Taskforce
Thursday, October 18, 2018
1:00 p.m. - 3:00 p.m.
DNREC State Street Commons Training Room
100 W. Water Street, Suite 6A
Dover, DE 19904

Meeting Minutes

Members and alternates:

Rob Underwood, Acting Chair, DNREC Division of Energy & Climate	Present
Tom Noyes, DNREC Division of Energy & Climate (Alternate)	Present
Glenn Moore, Delmarva Power	Present
Dale Davis, Delaware Solar Energy Coalition	Present
Pam Knotts, Public Service Commission	Present
Raj Barua, Public Service Commission	Present
Lyris Cullinan, DuPont, Renewable energy research & development industry	Absent
Dave Holleran, Local renewable energy manufacturing industry	Present
Mark Nielsen, Delaware Electric Cooperative (Alternate)	Absent
Scott Lynch, Delaware Municipal Electric Corporation (Alternate)	Present
Drew Slater, Public Advocate	Present
Andrea Maucher, Public Advocate (Alternate)	Present
Steve Hegedus, Environmental advocacy organizations	Present
Senator Harris McDowell, Sustainable Energy Utility	Absent
Tony DePrima, Sustainable Energy Utility (Alternate)	Present

Also present:

Kevin Quilliam, Inclime
Lauren Siler, Inclime
David Stevenson, consultant to the Public Advocate
David Murray, MDV SEIA (phone)
Justin Wilson, Coalition for Community Solar Access (phone)

Welcome and Introductions

Rob Underwood opened the meeting at 1:00 p.m.

Review of Agenda

Raj Barua requested that the wording of item 8 on the agenda be modified to state “Request to review draft legislation on community solar facilities” instead of “Request to review state code on community solar facilities.” Rob Underwood noted the change.

Approval of Minutes from June 12, 2018

The Taskforce reviewed the minutes from the June 12, 2018 meeting. Glenn Moore moved the minutes be approved. Dave Holleran seconded the motion. The minutes were approved unanimously.

Review of Results of Delmarva Power's SREC auction

Lauren Siler of InClima presented the results from the 2018 SREC procurement auction. She said it was the first year the auction had special tiers for customer-owned and in-state projects. She presented an overview of the main changes in the auction design compared to the 2017 auction. N1, N2, and N3 were oversubscribed. The pooled tier of N5, E1, E2, E4 systems was undersubscribed. Delmarva Power used price discretion in the pooled tier; bids were cut off at \$52.38. There were no out-of-state bids made in the 2018 auction. The weighted average price was \$28.50 in 2018 compared to \$21.26 in 2017. The increased price is mainly attributable to lower participation by national lease companies and having the protected tier for customer-owned systems. Glenn Moore added that the reason the price increased could be more strongly attributed to the fact that there were no out-of-state bids made in the 2018 auction. In 2017 there were \$9.00 out-of-state bids entered in the auction, and this did not happen in 2018. Lauren Siler summarized that 2018 had no out-of-state bids and low national lease company participation compared to last year when many bids were received from both of those groups.

Scott Lynch asked about the impact of the change in system size breakpoints in tiers N-1 and N-2 and the impact of the number of bids on the bid price. Lauren Siler said that we might have seen that in N-2 because that tier was previously undersubscribed, but this year it was very oversubscribed.

Regarding existing systems, Scott Lynch asked how much longer we should be offering tiers/program for existing systems. Glenn Moore said that last year the Taskforce discussed that point and decided 2018 could be the final year. Scott Lynch asked that this be noted in the draft strawman.

Steve Hegedus noted that N-3 had a significant number of bids not accepted and asked why that happened. Lauren Siler said the tier was oversubscribed, and Kevin Quilliam added that the parcel rule was encountered by Dover Air Force Base (DAFB) with its bid. DAFB bid hundreds of residential systems in but because they were considered on the same parcel of land, they had to be bid in aggregate and one bid and fell into N-3.

Glenn Moore summarized the results of the auction from Delmarva Power's perspective. He noted that it was a robust auction, especially in N-1, N-2, N-3. The prices were low in each tier compared to historical prices. 2017 had artificially low pricing driven by the low national lease bids. The pricing was relatively consistent across bids. The prices are extremely low from a contract perspective compared to other states and the backend price reduction to \$20 has reduced the cost of the contracts even further. This auction demonstrated that we cannot rely on out-of-state or lease bids.

Tony DePrima said unlike previous years, he did not receive any calls from angry bidders this year.

David Stevenson stated that he calculated that the 20-year contract cost from the 2018 auction is actually 8 percent lower than 2017.

Lauren Siler concluded the InClima presentation and Rob Underwood opened the floor to the Taskforce members to comment on the auction.

From an industry point of view, Dale Davis said he was happy to see a more robust auction this year, especially in Tier 2. He believes the shifting of the tier sizes helped with this. Dale Davis said the Taskforce should consider moving SRECs into the oversubscribed lower tiers, especially since the upper tiers draw from less Delaware labor for the projects.

Glenn Moore said he does not see any tremendous issues with this auction. He believes existing category should be left in to compete with lease projects on the back end. If someone wants to sell a \$5.00 SREC, that is great from a price perspective. They just should not compete against new projects.

Scott Lynch said there is a place for existing projects but he would like to reduce the complexity of the auction. He suggested not having E-1, E-2, E-3 categories, just have a pool for existing systems. Tony DePrima agreed that we could just have an existing category. Glenn Moore said that would be fine but they should always compete against N-5. Pam Knotts said she agreed.

Andrea Maucher asked what the admin costs are for an SREC. If the admin costs for an SREC exceed the cost of a \$5.00 SREC why are we doing this? Glenn Moore said he does not agree with the premise that they are paying exorbitant admin costs. The Taskforce left the admin cost determination to the Delmarva Power SOS filing and approving admin costs is not voted on by the Taskforce but if members want to discuss it, the Taskforce could have Delmarva bring that information for educational purposes. Tony DePrima said he is happy to evaluate the admin costs but it costs the same to transfer a cheap or expensive SREC. Dale Davis said we will always have an admin cost regardless of process that we use.

Tony DePrima said there is a fixed admin cost per year for administering the auction. The admin cost per SREC is actually going down each year because of the fixed admin price and increasing number of SRECs procured. David Stevenson said he believed the admin cost was \$9.00 per SREC, and a \$9.00 admin cost for a \$9.00 SREC does not seem right. Glenn Moore said he was under the impression it was much lower, around \$3.00-4.00 per SREC. Tony DePrima agreed.

David Stevenson, speaking as a consultant to the Public Advocate, said that there are ways to lower the admin costs per SREC, for example, N-1 could be eliminated from the auction by raising the incentive available through the Green Energy Fund. Glenn Moore said that is a legitimate question but separate from the question of whether Delmarva Power is paying too much for admin costs.

Pam Knotts said that even if you go to a broker for the SRECs you are still paying an admin cost through the broker fee.

Discussion of next SREC auction

Tom Noyes introduced a new draft strawman template for the Taskforce members to use to design the 2019 SREC auction and requested suggestions for editing the format further to make it more useful during the auction design. Dale Davis said it makes sense to focus on the things we want to change and because the new draft strawman focuses on the tiers, we may need to add new sections as we go. Glenn Moore said that Taskforce members need to submit their suggested edits to the auction structure to Tom Noyes before the next meeting so he can populate the strawman document and the edits can be considered by the Taskforce at the next meeting.

Dale Davis said he would like to suggest merging tier 4 and tier 5 into one tier of a smaller pool of SRECs. The displaced SRECs would be reallocated to the lower tiers. Glenn Moore said Delmarva has liked having 5,000 SRECs available to procure, at its discretion using the lowest price in the auction. In a 20,000 SREC procurement, that leaves 15,000 SRECs to be allotted to the various tiers. Dale Davis said the 5,000 SRECs allocated to tier 4 and 5 could also be Delmarva's discretionary SRECs.

Tony DePrima said that the auction needs to be finalized more quickly this year and the Taskforce should aim for a spring 2019 auction. Having the auction during the summer months presents a number of logistical and accounting challenges that could be avoided by moving the timing up to the spring months.

Dale Davis said he is concerned that the Delaware SREC market has turned into a once a year lottery for installers to find out if they have viable projects. He said it would be nice to have a first-come, first-served pool of SRECs available during the year.

Taskforce members discussed the need to get the auction design finalized and ready for a vote as quickly as possible so the filings with the Public Service Commission can be prepared by Delmarva's lawyers. Otherwise, a spring 2019 auction will not be possible from a timeline perspective.

Dale Davis said that in light of the scheduling concerns, he would like to modify his suggestion to have a first-come, first-served pool. He suggested leaving the procurement design alone for 2019 and using the SRECs that Delmarva has to procure outside of the auction to devise a means for making that pool of SRECs more open to smaller systems.

Dave Holleran asked if everyone agreed that the 2018 auction was overall very successful. No one disagreed so he said he did not know why we would need many changes for the 2019 procurement. Glenn Moore said it is incumbent upon the members to bring forward any comments or recommendations on the procurement design so that it can be finalized in the November and December Taskforce meetings.

Dale Davis asked if there is a mechanism for that Delmarva Power could use to take funds used for Tier 1 SRECs and add it to the Green Energy Fund. Under this scenario, the Green Energy Program grants could be increased for Tier 1 systems and they would be removed from the auction. This approach would be similar to the old SEU SREC pre-buy program. Glenn Moore said Delmarva Power does not have control over the Green Energy Fund dollars. That money is collected and given directly to DNREC. Rob Underwood noted that the Green Energy Fund dollars are collected and used as per the direction of Delaware Code.

David Stevenson said the unspent RGGI funds should be used to take Tier 1 out of the auction. Dale Davis said if the funds are available for use, he would not necessarily object. Glenn Moore said Delmarva Power's concern is getting the SRECs, regardless of procurement method. Dale Davis said the Taskforce would have to consider the costs of administering another SREC transfer system. David Stevenson asked Tony DePrima what the admin costs were for the SEU's SREC pre-buy program. Tony DePrima said he would have to look up the exact numbers but it was enough that they decided to discontinue the program since the demand was also not very high for the program. Kevin Quilliam said one issue seen in pre-buy programs is getting the customer to complete their meter readings for 20 years when they receive all their funds upfront. They lack an incentive to submit their meter readings. This can become a challenge for the program administrator. Steve Hegedus said he is concerned there would be less incentive for the customer to maintain the system and report production. Glenn Moore said this type of program would work better with virtual RECs. David Stevenson said virtual RECs would require legislation.

Steve Hegedus said that another sign of success this year was that all the SRECs are from in-state systems and that was part of the original intent of the legislation to support the Delaware solar market. He asked if this was by design or by accident. Glenn Moore said he believes it was pure luck.

Tony DePrima said that whether it is the SEU's or the State's RGGI dollars, we need to examine where we should spend the funds, specifically whether they should be invested in renewable energy or energy efficiency. It has been the SEU's position not to spend on renewable energy, other than for limited scope programs, like the ZeMOD or low-interest solar loan program. Drew Slater said it was his understanding that there is unspent RGGI funds out there and that is what David Stevenson is recommending to use.

Tom Noyes asked David Stevenson how his recommendation squares with what he is doing in the lawsuit, *Stevenson v. DNREC* (which is challenging Delaware's participation in RGGI). David Stevenson said a Superior Court Judge has said the case is over and the Delaware Supreme Court is now going to decide standing and whether he is an expert witness.

Glenn Moore said that the Taskforce does not have jurisdiction over directing the state on how it should spend RGGI funds.

Rob Underwood said there are significant administrative costs from transferring the funds, administering the pre-buy program, and long-term collection, and accounting of generated RECs. Regarding the draft strawman document, Rob Underwood requested that Taskforce members submit requested edits and comments to Tom Noyes in advance of the next meeting.

Discussion of Delmarva Power's SREC Spot Auction

Glenn Moore said he was providing the spot auction update as information-only for the Taskforce members because the spot market is run outside of the Taskforce's purview. Delmarva Power would like to offer the spot auction the first week of December but the date is not final. It will be a max-price auction; it will likely be between \$9.50 and \$11.00 including commissions. It will be for a minimum of 10,000 SRECs but could be more if prices are favorable. The minimum of 10,000 SRECs will be about 20 percent of what Delmarva Power needs from the spot market next year.

Steve Hegedus asked if the spot market was for new and/or existing projects. Glenn Moore said the projects must be existing.

Pam Knotts asked if there is a maximum number of SRECs that will be purchased. Glenn Moore said no, total number will be determined by the people running the auction based on pricing. Dale Davis asked if the max bid price allows bidders to enter prices below that level. Glenn Moore said yes, they could bid below the max price.

Pam Knotts asked who will run the auction. Glenn Moore said he did not know and there is a good chance Incline could be running it but another team at Delmarva Power would be selecting the administrator.

Update on Delmarva Power's second tranche wind power RFP

Glenn Moore said there is no update, and Delmarva is getting close but it has not been filed with the Public Service Commission yet. Final details are being worked out.

Request to review draft legislation on community solar facilities

Rob Underwood opened a discussion on community solar legislation that was introduced last session but failed to leave committee. Tony DePrima explained that he requested this agenda item be added because the community solar bill was drafted and then floated as HB 480 by MDV SEIA. Tony DePrima explained that many people were asking where the bill came from and there was significant confusion regarding the origin of the bill at the end of legislative session. MDV SEIA developed this bill to remedy some of the issues in Delaware that have prevented community solar from taking off. The bill did not gain any traction last legislative session so Tony DePrima said he thought it would be a good idea to bring representatives from MDV SEIA to a Taskforce meeting and start a conversation.

Raj Barua said he would appreciate a courtesy copy of similar bills in the future.

Drew Slater said he was not happy that he did not receive notice about this bill dropping but he is not opposed to community solar. Drew Slater said he believes solar customers should pay societal benefit charges.

David Murray of MDV SEIA said he had some issues getting the bill in front of legislators. According to Mr. Murray, there are a number of issues in Delaware that need to be addressed by legislative fixes in order to get community solar working in the state. These include geographic restrictions (the main issues) related to distribution lines, the need to increase the cap for net metering to 5 MW, the flexibility of subscriptions, and low- to moderate- income access.

Andrea Maucher asked why community solar has not worked in Delaware and if there is a problem on Delmarva Power's end since City of Newark has a community solar project. Dale Davis said the legislation dates back to 2010 and there are a couple of issues including the 110% limit, the requirement to have the subscriber pool fully identified at the start of a project, and how money is paid out on Delmarva Power bills. Currently Delmarva credits the host and the host has to distribute the money to the subscribers. Additionally, currently the law requires customers to pay different rates depending on whether they are on the same distribution feeder.

Drew Slater asked if Delmarva Power would have increased costs to do the billing for community solar projects. Glenn Moore said he was not sure but believes there would be a cost.

Tony DePrima said we need to get solar into low- and-moderate income communities and community solar is a way to do that.

Scott Lynch said community solar has a low cost of entry for City of Newark customers and the City of Newark project allows customers to have a bill credit and access to green energy. There is a bigger discussion to be had beyond just modifying the net metering law.

Glenn Moore said there are some questions to consider, including whether solar customers are being subsidized and not paying their fair share of demand charges. Dale Davis said he has a fire department client that has a solar array that should cover its full energy usage but their bill was only reduced by 1/3rd because of demand charges.

David Murray said that Maryland recently completed a value of solar study, which may offer a number of answers to the questions that the Taskforce is debating. He offered to send a copy of the report.

Glenn Moore asked where community solar intersects with the Taskforce. Is it our legislative mandate to work on this? Tony DePrima said he asked this topic be added to the agenda so we could start the conversation and he offered to convene an informal community solar working group to work through the issues. Rob Underwood said that would be a good idea.

Public Comment

Kendrick Tice representing Sunrise Solar stated that Delaware solar is growing and has the opportunity to continue to grow over the coming years. He stated that as an installer, he appreciated being able to participate in the process offered by the Taskforce.

Final Comments from Taskforce Chair

Rob Underwood adjourned the meeting at 3:10 p.m.